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This document describes the performance management arrangements the Skills Funding Agency will use to manage participation funding and support funds in the 2012/13 contract year. This ensures funding across the sector is maximised for the benefit of learners and employers.

August 2012

Of interest to Providers

Contents

Section	Page
Foreword	2
Introduction	3
16-18 Apprenticeships	3
Adult Skills Budget	4
<ul style="list-style-type: none">• Arrangements for providers 'Paid on Actual'• Tolerances for both 16-18 Apprenticeships and ASB (Paid on Actual)• Principles for awarding growth for 16-18 Apprenticeships and ASB (Paid on Actual)• Arrangements for ASB providers 'Paid on Profile'• Formal First Step	
Discretionary Learner Support	7
Community Learning (formerly Adult Safeguarded Learning)	8
European Social Fund	8
Offenders' Learning and Skills Service (OLASS 4)	9
Timetable	10

Foreword

The role of the Skills Funding Agency (the Agency) is to fund and promote adult further education and skills training in England.

Our mission is to ensure that people and businesses can access the skills training they need to succeed in playing their part in society and in growing England's economy. So to do this we need to ensure that funding goes to where it is most needed. This means we will manage provider performance in-year to recycle funds to providers that are performing well and have a good delivery track record. It is critical that funding is used to meet the needs and demands of employers and maximise the growth in Apprenticeship opportunities.

This year, for the first time, we have combined all of our in-year performance management guidance into one document. We have sought to minimise any change from 2011/12 to try and keep things simple and recognise that any change can create turbulence. We are particularly conscious of not bringing any change into this arena ahead of 2013/14, when we see the introduction of a new simplified funding methodology and 24+ Advanced Learning Loans.

This guidance reiterates the arrangements that were implemented last year and seeks to clarify those that have been implemented for programmes such as the European Social Fund (ESF) and Offenders' Learning and Skills Service (OLASS).

We have consulted with colleagues from the Association of Colleges (AoC) and Association of Employer and Learning Providers (AELP) in the production of this document.

These performance management arrangements will be used by the Agency in conjunction with other management tools such as due diligence checks (on The Register of Training Organisations), Minimum Levels of Performance and Provider Financial Assurance checks.

This document is about performance management arrangements only, please refer to the [2012/13 Funding Rules](#) for the rules for funding and associated evidence requirements.

Introduction

This Provider Performance Management Guide confirms the performance management arrangements for the 2012/13 academic year. These arrangements apply to all organisations that contract with the Agency to deliver education and training services.

To minimise change and provide some continuity for the sector we have not changed the performance management tolerance levels that will be used to manage performance in-year (originally set out in [Guidance Note 8](#) in July 2011).

Providers will continue to be expected to deliver their allocation in line with their assessment of community, stakeholder and employer needs, government ambitions and funding requirements. This will include a continued emphasis on delivering high-quality provision and ensuring value for money that directly meets what learners and employers want.

To manage its programme budgets effectively, the Agency will continue to divide the Adult Skills Budget (ASB) and 16-18 Apprenticeships budgets into two parts, to reflect the financial and academic year split. Therefore performance management will take into account the periods from August to March and April to July within a contracting year.

Our intention remains to reallocate unutilised funds as early in the contract year as possible, allowing those providers with demand to utilise additional resources.

16–18 Apprenticeships

As in 2011/12, all providers (including colleges delivering 16 – 18 Apprenticeships) are paid on the basis of their actual delivery each month (shortened to 'paid on actual'). The amount paid is derived from Individualised Learner Record (ILR) data submitted by providers.

In 2011/12 the Agency used a standard national profile against which provider performance was benchmarked at the quarterly performance management points throughout the year. Information on the timing of these reviews is shown in the timetable on page 10.

All providers will continue to be paid based on actual delivery. For these providers the requirement to submit monthly ILR data remains in 2012/13. Please refer to [the information authority](#) website for detail of the returns.

The profile, against which performance is measured, has not changed from the profile used in 2011/12, as set out in the table below.

2012/13 Benchmark Profile: 16 – 18 Apprenticeships profile for all providers

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
16 – 18 Apprenticeships profile for all providers	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.19%	8.19%	8.19%	9.14%	9.14%	9.15%
Cumulative	8%	16%	24%	32%	40%	48%	56.19%	64.38%	72.57%	81.71%	90.85%	100%

Adult Skills Budget

The contractual arrangements between the Agency and individual providers vary according to the legal status of the provider. This is to ensure the appropriate terms and conditions are in place and take account of the provider's infrastructure and liabilities.

As a result, the way in which the Agency performance manages providers for the Adult Skills Budget (ASB) is reflected in the type of funding agreements in place and the way in which providers are paid.

For performance management, providers are grouped into two categories:

- providers paid on the basis of actual delivery each month (shortened to 'paid on actual')
- providers paid on the basis of an annual profile (shortened to 'paid on profile').

Arrangements for providers 'Paid on Actual'

Organisations with a Contract for Services with the Agency (for example, commercial organisations) are paid on the basis of their actual delivery each month (paid on actual). The value of the actual delivery is calculated using the latest ILR data that they have submitted.

The Agency has reviewed the standard national profile used to benchmark and manage ASB performance for those providers who are paid on actual, against actual delivery trends. This review has resulted in a small change to the profile used in 2011/12. The updated profile against which performance will be measured in 2012/13 is set out below:

2012/13 Updated Benchmark Profile: Adult Skills Budget profile (Paid on Actual)

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
2011/12 Adult Skills Budget profile (Paid on Actual)	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.19%	8.19%	8.19%	9.14%	9.14%	9.15%
Cumulative	8%	16%	24%	32%	40%	48%	56.19%	64.38%	72.57%	81.71%	90.85%	100%
2012/13 Adult Skills Budget profile (Paid on Actual)	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.19%	8.20%	8.19%	8.78%	8.78%	8.78%
Cumulative	8.18%	16.36%	24.54%	32.72%	40.9%	49.08%	57.27%	65.47%	73.66%	82.44%	91.22%	100%

Tolerances for both 16 –18 Apprenticeships and ASB (Paid on Actual)

Performance reviews will continue to take place quarterly (see the timetable on page 10). Adjustments to contracts will continue to be made where performance against cash profiles for the period in question is outside of our published tolerance levels.

The table on page 5 confirms the tolerance levels that will be used in 2012/13 these have not changed from the tolerances used in 2011/12.

Tolerance levels that will be used in 2012/13 for 16–18 Apprenticeships and ASB (Paid on Actual)

Quarter	Quarter 1	Quarter 2	Quarter 3
Month	November 2012	February 2013	May 2013
Data used	Year to date		
Tolerance % of cumulative profile to date	15%	8%	5%
Default de minimis limit for MCV adjustments	£10,000	£10,000	£10,000
Action to adjust for underperformance to date and to adjust the future MCV.	<p>Reduce the Maximum Contract Value (MCV) profile to date by the amount equal to the underperformance to date in excess of tolerance (unless the adjustment is below the de minimis limit of £10,000).</p> <p>In addition, the future MCV (£) will be reduced by taking the provider's underperformance % to date (in excess of the tolerance including the £10,000 de minimis) and applying it forward to the end of the academic year. The calculations will be applied automatically.</p> <p>The assumption is that the above tolerances will only be overridden in EXCEPTIONAL circumstances. The Agency will use the providers' track record to establish whether the profile fits their recruitment pattern.</p>		

We will **reduce contract values** when a provider fails to deliver within the published tolerances. The Agency will reduce maximum contract values to reflect some or all of the value of the under-delivery to date and reduce the future profile of the associated under-delivery. Any override to this approach will be made in exceptional circumstances only.

For this reason it is important that all colleges, training organisations and employers submit timely data returns, in line with *the information authority* timeline.

Principles for awarding growth for 16–18 Apprenticeships and ASB (Paid on Actual)

Any contract increase is **subject to affordability** and so any additional funding is not guaranteed. All providers are expected (and contractually required) to manage within their current maximum contract value. In 2012/13 the Agency will target any redistribution of ASB funding for the 19- to 24-year-old age group, particularly where it is supporting unemployed people.

The Agency will increase contract values when:

- funds are available from underperforming providers
- providers requesting growth have a good track record of delivery
- providers can evidence employer or learner demand for additional funding and the Agency is confident that awarding additional funds does not represent unmanageable risks to the Agency.

Increases to a provider's maximum contract value in-year will be put in place through a formal signed contract variation; providers will be notified of any decreases.

Arrangements for ASB providers 'Paid on Profile'

2012/13 will be the third year that the Agency will operate its simplified performance management and payment arrangements for those providers paid on profile¹. These providers will not usually be subject to in-year performance management; all reconciliation will take place at the final funding claim stage and there will be no automatic payments for over-delivery.

As notified in the 2012/13 Funding Allocation Briefing in March, we have reviewed the payment profile for providers paid on profile delivering ASB and have concluded no changes will be made for 2012/13. Each college will continue to be paid a single amount each month through a single payment profile for their ASB. The cash profile is set out below:

2012/13 ASB cash profile for providers Paid on Profile

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Adult Skills Budget Profile (Paid on Profile)	12.56%	9.44%	9.56%	7.44%	5.60%	5.60%	5.20%	5.16%	12.56%	11.60%	9.60%	5.68%
Cumulative	12.56%	22%	31.56%	39%	44.6%	50.2%	55.4%	60.56%	73.12%	84.72%	94.32%	100%

At the mid-year point (February 2013), each provider paid on profile must provide a forecast of their expected performance at the end of the year against the overall cash profile. We will not automatically reconcile funding as a result of this mid-year review but the Agency reserves the right to make any changes (increases and decreases) to the allocation where evidence is strong enough to support the change. Any increase will be as a result of applying the same principles for growth as discussed on page 5.

The Agency will take account of any forecast cash under-delivery in agreeing allocations for the following academic year, including looking at the accuracy of previous years' mid-year forecasts.

For the final claims/outturn for 2012/13, a tolerance of 3 per cent will continue to be applied, so 'claw-back' will be waived for providers who deliver 97 per cent or more of their funding agreement.

The Annex A workbook (which is the form used by providers paid on profile to record their ASB funding claims for 2012/13) will be published at least two months before the February 2013 mid-year return deadline.

Formal First Step

As part of the funding simplification policy, for 2012/13 we have started to integrate Formal First Step (FFS) into the ASB. The Skills Investment Statement (November 2011) confirmed that FFS will be integrated fully into ASB in 2013/14. The integration in 2012/13 removes the separate (ring-fenced) budget line and gives providers greater freedom to meet the needs of their communities.

¹ Definition of paid on profile is: any general further education (GFE) college, local authority, specialist designated institution, sixth-form college or higher education institution funded through a financial memorandum or conditions of funding grant will be subject to the same freedoms and flexibilities as colleges and will be paid on profile for their Adult Skills Budget.

Those providers who received an FFS allocation in 2011/12 have received an ASB Funding Statement in 2012/13 with the same level of FFS funding as was allocated in 2011/12.

This is a transition year, preparing for full integration in 2013/14. This means that FFS has not been shown as a separate budget line on 2012/13 Funding Allocation Statements.

Providers that had an FFS allocation in 2011/12 can now choose to use the equivalent value of this allocation in 2012/13 for either FFS or ASB provision. **However, the value of FFS cannot be increased.**

ASB flexibilities are set out in the Agency's Guidance Note 4 issued in June 2010. The Agency has written a technical note to those providers delivering FFS in 2011/12 that have continued to receive an equivalent amount as part of their ASB for 2012/13.

Organisations paid on profile for their ASB provision will continue to be paid on profile for the FFS provision. Reconciliation of FFS will be dealt with as part of their ASB final funding claim.

Organisations paid on actual can claim for regulated FFS provision through the ILR. However, non-regulated FFS provision providers must claim actual expenditure using the Training Provider Statement (TPS); guidance on how to complete and submit a claim through the TPS can be found on the information authority website.

Given that 2012/13 is a transitional year for FFS, the value of the allocated FFS funds will not be subject to the in-year performance management arrangements for ASB.

Providers must complete the relevant FFS ILR fields as detailed on the information authority website.

Discretionary Learner Support

For 2012/13 Discretionary Learner Support (DLS) has been allocated to some providers paid on profile and for the first time a number of providers paid on actual. (The methodology and rationale for these allocations can be found in the DLS Methodology Briefing Note).

All providers delivering DLS will continue to be paid on profile in three instalments: in August (50 per cent), January (25 per cent) and April (25 per cent).

The Agency will collect only one in-year funding monitoring return from all providers in February 2013. Further information relating to the detail of how to submit the monitoring form will be released at least two months prior to the return date in February.

This return will give providers the opportunity to inform us of their forecasted outturn that details any allocation pressures or any surplus funding which is not required. The Agency may use these estimates to adjust allocations in-year. This means any identified surplus funds from providers may be removed and recycled to support those providers with budget pressures. However, any additional funding cannot be guaranteed. The Agency will monitor the accuracy of the in-year return at the final claim stage and will take this into account when agreeing allocations for the following academic year.

Following the end of 2012/13 contracting year, all providers will be required to submit a final claim in September detailing how their allocated DLS funds have been used. Where providers have not fully utilised their allocation, funds will be recovered (from November 2013).

Expenditure reported on the final claim will be reconciled against the total DLS allocation figure. This will be at an overall level (not by each funding line):

- 19+ Hardship
- 20+ Childcare
- Residential Access Funds.

This will allow providers to vire funds between the three funding lines without any restrictions, in line with the ASB flexibilities. Providers can use up to 5 per cent of their allocation towards administration costs; this value needs to be included in the final claim.

For all learners in receipt of DLS funding, providers must complete the relevant ILR fields relating to DLS. Incomplete or non-recording will affect future DLS allocations.

Community Learning (formerly Adult Safeguarded Learning)

Local authorities are required to provide information to the Agency on funding income and expenditure for Community Learning funds allocated to them annually.

The Personal and Community Development Learning (PCDL) of further education delivered by colleges is returned as part of their ASB claim. There is a specific Funding Expenditure Statement for local authorities, Community Learning to be returned to the Agency by 30 September 2013.

Please note the submission form will be published on our website at least two months before the submission deadline. (Providers will be notified of its availability through Update.)

Community Learning includes:

PCDL, Family, English, Maths and Language² (FEML), Wider Family Learning (WFL) and Neighbourhood Learning in Deprived Communities (NLDC).

European Social Fund

All European Social Fund (ESF) contracts will continue to be subject to in-year performance management arrangements in 2012/13.

Performance management reviews will take place on a quarterly cycle. The arrangements for performance management are similar to those used for 16–18 Apprenticeships and ASB providers paid on actual. The timing of ESF reviews is shown in the timetable on page 10.

As with all other programmes, performance managing ESF in-year allows the Agency to maximise and redistribute funds. (Please note ESF contracts are procured and therefore the redistribution of ESF monies is subject to European Union regulations).

As ESF contracts and models vary in length of delivery, a national performance profile will not be used to benchmark performance. Instead, performance will be measured against individual contract delivery profiles. Performance Reviews will focus *particularly* on contracts where actual performance is less than 85 per cent of the planned profile value (year-to-date), with a £10,000 minimum. However, all ESF contracts will be subject to review and, where underperformance is significant or has been a consistent issue, then contracts will be subject to a reduction of funding.

² Previously known as Family Literacy, Language and Numeracy (FLLN).

Any identified surplus funds may be removed from providers and recycled to support those that are performing above their current delivery profile. However, this is **subject to affordability** and any additional funding cannot be guaranteed.

Offenders' Learning and Skills Service phase 4 (OLASS 4)

Following the re-procurement exercise in 2012, new three-year contracts for the Offenders' Learning and Skills Service (OLASS) have been awarded and will commence from 1 August 2012.

To ensure OLASS delivers the benefits that the Review of Offender Learning identified, the Agency is introducing a formal performance management process in 2012/13.

In 2012/13, the arrangements for ILR data collection from providers delivering OLASS provision will be aligned and integrated into the existing ILR. All OLASS providers must return monthly data for OLASS activity in line with the timetable for the ASB for 'pay on actual' providers. Please refer to the information authority website for the detail of the returns.

Payment for OLASS provision will be made to all providers against an agreed monthly profile. Because there may be changes to the range of provision offered and because the provision generally consists of short programmes, on a 'roll-on, roll-off' basis, we are using a flat payment profile for the first year, and this will be reviewed at the end of 2012/13 as detailed below:

2012/13 OLASS Benchmark Profile

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Offenders' Learning and Skills Service (OLASS)	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.36%	8.33%	8.33%	8.33%	8.34%
Cumulative	8.33%	16.66%	24.99%	33.32%	41.65%	49.98%	58.31%	66.67%	75%	83.33%	91.66%	100%

OLASS providers will record on the ILR learning aims and achievements which will have rates and funding values. This provides a more consistent approach with other programmes and captures detailed provision information about delivery to support discussions between the Agency and the National Offender Management Service (NOMS).

The performance management arrangements for OLASS will take effect from 1 August 2012, and a review of overall performance will take place in November, February and May. This process will include a review of the use of funding and will focus on the effectiveness of delivery at prison and prison cluster level within each unit of procurement. In-year funding changes will normally be limited to the movement of funding between prisons and clusters within the overall MCV for each unit of procurement.

At the end of 2012/13 the Agency will review overall use of funding for OLASS. This review to identify under- and over-delivery against overall MCVs, and taking account of recommendations from the NOMS, will consider any redistribution of funding required.

Timetable

	Period 1 Aug-12	Period 2 Sep-12	Period 3 Oct-12	Period 4 Nov-12	Period 5 Dec-12	Period 6 Jan-13	Period 7 Feb-13	Period 8 Mar-13	Period 9 Apr-13	Period 10 May-13	Period 11 Jun-13	Period 12 Jul-13	Period 13 Aug-13	Period 14 Sep-13	Period 15 Oct-13	Period 16 Nov-13
16-18 Apprenticeship Review				Q1 Review using Period 3 ILR Data	Comms outcome of the Q1 review	Revised Contracts Issued	Q2 Review using Period 6 ILR Data	Comms outcome of the Q2 review	Revised Contracts Issued	Q3 Review using Period 9 ILR Data	Comms outcome of the Q3 review	Revised Contracts Issued				
ASB (Providers Paid on Actual)				Q1 Review using Period 3 ILR Data	Comms outcome of the Q1 review	Revised Contracts Issued	Q2 Review using Period 6 ILR Data	Comms outcome of the Q2 review	Revised Contracts Issued	Q3 Review using Period 9 ILR Data	Comms outcome of the Q3 review	Revised Contracts Issued				
ASB (Providers Paid on Profile)							Mid-year Funding Claim							Year-end Funding Claim		Final Funding Claim
Discretionary Learner Support							Mid Year Forecast									
Community Learning		2011/12 Funding and Expenditure Statement due													2012/13 Funding and Expenditure Statement due	
European Social Fund					Q1 ESF Review using Period 4 ILR Data	Comms outcome of the Q1 review	Revised Contracts Issued	Q2 ESF Review using Period 7 ILR Data	Comms outcome of the Q2 review	Revised Contracts Issued	Q3 ESF Review using Period 10 ILR Data	Comms outcome of the Q3 review	Revised Contracts Issued	Q4 ESF Review using Period 1 ILR Data	Comms outcome of the Q4 review	Revised Contracts Issued
OLASS				Q1 Unit Level reviews using Period 3 ILR data	Comms outcome of the Q1 review		Q2 Unit Level reviews using Period 6 ILR data	Comms outcome of the Q2 review		Q3 Unit Level reviews using Period 9 ILR data	Comms outcome of the Q3 review					Final Funding Review

Skills Funding Agency
Cheylesmore House
Quinton Road
Coventry CV1 2WT
T 0845 377 5000
F 024 7682 3675
www.bis.gov.uk/skillsfundingagency

BIS | Department for Business
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